

DEPARTMENT OF THE ARMY
Corps of Engineers, Omaha District
215 North 17th street
Omaha, NE 68102-4978

DM 11-1-2

CEMRO-RM-M

Memorandum
No. 11-1-2

15 April 1996

Army Programs
MANAGEMENT CONTROL PROCESS

1. Purpose. This memorandum prescribes the policy and responsibilities of the Omaha District's Management Control Process (MCP).
2. Applicability. This memorandum is applicable to all elements and managers of the Omaha District.
3. References.
 - a. Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255).
 - b. AR 11-2, Management Control, 1 August 1994.
 - c. MRD-R 11-1-1, Management Control Process, 1 November 1995.
4. Terms. Definitions of terms used in this memorandum can be found in the Glossary, Appendix A.
5. Policy. It is Army policy as stated in reference 3.b. that commanders and managers have the responsibility for establishing and maintaining effective management controls. The Omaha District will support and implement this policy through consistent application of management controls and periodic evaluation of key controls to provide reasonable assurance that:
 - a. Mission and functions are efficiently and effectively performed in accordance with applicable laws, regulations, and policies.
 - b. Resources are safeguarded against fraud, waste, abuse, loss, unauthorized use, mismanagement, and misappropriation.
 - c. Revenues and expenditures are properly recorded and accounted for.
 - d. Obligations and costs are in compliance with applicable laws.

This memorandum supersedes DM 11-1-2 dated 1 December 1992.

6. Responsibilities.

a. The District Commander. As the designated Assessable Unit Manager for the District, the Commander implements an effective MCP through the Management Control Administrator, certifies the application of all required control evaluations, and submits the annual assurance statement to the Division Commander.

b. Managers. All managers have the inherent responsibility to fully support the concept and use of management controls by:

(1) Understanding and applying in daily operations the General Accounting Office standards summarized in appendix B.

(2) Using management controls as tools to conduct operations in a professional and businesslike manner, to prevent the development of problems, and to address those areas of potentially high risk to the attainment of the policy goals set forth in paragraph 5.

(3) Identifying deficiencies and material weaknesses, taking prompt corrective action, and keeping the next level of management informed of sensitive problems and issues. At appendix C are material weakness identification criteria and reporting procedures. Because a fundamental principle of MCP is the detection and correction of weaknesses by management itself, no manager will be penalized for identifying problems.

c. Division and Office Chiefs and Directors. In addition to the responsibilities common to all managers, these individuals will:

(1) Ensure that subordinate managers are aware of and use management controls.

(2) Apply the appropriate evaluation methods to test the management controls for functions under their direction.

(3) Resolve audit and inspection findings promptly.

(4) Analyze controls for effectiveness when weaknesses are detected.

(5) Satisfy the requirements of appendix D for including management control accountability in the managers' annual performance standards/objectives.

(6) Provide written certification in support of the District Commander's annual assurance statement.

d. The Management Control Administrator (MCA). The Resource Management Officer is the MCA and is responsible for:

(1) Keeping the Commander advised on the status of the District's MCP.

(2) Developing the District management control plan.

(3) Providing managers with guidance, information, and training on management controls.

(4) Identifying accountable managers responsible for conducting management control evaluations, making evaluation methods available to managers, and monitoring the evaluation process.


(5) Assisting managers in determining and documenting material weaknesses, forwarding the weaknesses to higher authority as appropriate, tracking the completion of corrective action plans, and submitting required status reports.

(6) Preparing the Commander's annual assurance statement and other reports, and maintaining MCP records and documentation.

e. The Internal Review Office. This office will include management controls as part of its reviews, advise the MCA of potential material weaknesses discovered during the reviews, and verify the correction of reported material weaknesses prior to their being closed.

FOR THE COMMANDER:

4 Appendices
App A - Glossary
App B - GAO Standards
App C - Material Weakness
App D - Performance Standards


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APPENDIX A

Glossary

Abuse. Intentionally wrongful or improper use of Government resources, such as misuse of rank, position, or authority.

Accountable manager. A manager responsible for applying management control evaluations.

Annual assurance statement. A report from the District Commander to the Division Command and from the Division Commander to the Chief of Engineers on the status of management controls in the command.

Assessable unit. An organizational element of the Army responsible for conducting management control evaluations. The Omaha District is an assessable unit.

Deficiency. A weakness that is minor, not material, and is readily correctable.

Fraud. Intentionally misleading or deceitful conduct that deprives the Government of its resources or rights.

Key management controls. Those absolutely essential management controls which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements. These controls establish the baseline requirement for management control evaluations.

Management control evaluation. A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of the controls and must be documented; i.e., name and signature of the accountable manager who conducted the evaluation and of any reviewing manager, the methods used to test the controls, any weaknesses detected, and the corrective actions taken or planned.

Management control evaluation checklist. One method used to assist accountable managers in evaluating the effectiveness of the key management controls of a function.

Management controls. The rules, procedures, techniques, and devices employed by managers to ensure that what should occur in their daily operations does occur on a continuing basis. Management controls include the organizational structure itself that designates specific managerial responsibility and accountability. Other controls are formally defined procedures such as required certifications and reconciliations. Checks and

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balances such as separation of duties, recurring reports, management reviews, and supervisory monitoring are also examples of controls. Physical devices such as locks and fences are considered management controls.

Management control plan. This describes how and when the required management control evaluations will be conducted.

Managers. Division and office chiefs, directors, and element (branch, section, and unit) chiefs, GS/GM-9 and above with supervisory responsibilities whether or not specifically titled as supervisors. Also included are senior employees without responsibility for an organizational element but who have major program management responsibility.

Material weakness. The absence or ineffectiveness of management controls that warrant the attention of the next level of command. See appendix C.

Reasonable assurance. An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures. This is the first GAO standard (see appendix B).

Resources. All items necessary for mission accomplishment including but not limited to funds, personnel, equipment, supplies, material, time, technology, and information.

Risk. The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources.

APPENDIX B

Government Accounting Office Standards

The Comptroller General of the United States has established these standards (also known as the GAO standards) to define the minimum level of quality acceptable for management control systems in operation. They are presented here in abridged form; their full text can be found in appendix B of reference 3.b.

1. Reasonable assurance. This standard recognizes that the cost of controls should not exceed the benefits derived. Reasonable assurance equates to a satisfactory level of confidence under given considerations of cost, benefit, and risk.
2. Supportive attitude. Managers and employees are to maintain and demonstrate a positive and supportive attitude towards management controls at all times. Attitude is not reflected in any one particular aspect of a manager's behavior but in the overall commitment to promoting strong controls in all areas of the management of resources.
3. Competent personnel. Managers and employees are to have personal and professional integrity and maintain a level of competence that allows them to both accomplish their assigned duties and understand the importance of management controls.
4. Control objectives. Management control objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete.
5. Control techniques. These are the mechanisms by which management control objectives are achieved and include policies, procedures, rules, reporting systems, and supervisory monitoring.
6. Documentation. Management control systems, all transactions, and other significant events are to be clearly documented with the documentation readily available for examination.
7. Recording of transactions and events. These are to be promptly recorded and properly classified if the data are to maintain their relevance and value to management in controlling operations and making decisions.
8. Execution of transactions and events. These are to be authorized and executed only by persons acting within the scope of their authority. This standard deals with management decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions.

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9. Separation of duties. Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals so that no one individual controls all key aspects of a transaction or event cycle.

10. Supervision. Qualified and continuous supervision is to be provided to ensure that management control objectives are achieved.

11. Access to and accountability for resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained.

12. Prompt resolution of audit findings. Managers are to promptly evaluate findings and recommendations reported by auditors, determine the proper response, and complete within established timeframes all actions that correct or otherwise resolve the matters brought to management's attention.

APPENDIX C

Material Weakness

1. The absence of or non-compliance with a management control is a weakness that requires an initial managerial determination of materiality. A weakness is either a deficiency (see appendix A) or it is material. If the latter, it must be reported. To help in deciding materiality, two criteria are applied:

a. Is the management control not in place, not being used, or inadequate?

b. Does the weakness warrant the attention of the next level of command because that level must take action or must be made aware of the problem? That a weakness can be corrected at one level does not exclude it from being reported to the next level, since the sharing of important management information is one of the primary reasons for reporting a material weakness.

2. Making a decision regarding the nature of a weakness necessarily requires subjective judgment on the part of the manager. Assistance, however, is available in the form of consultation provided by the Management Control Administrator (CEMRO-RM) and the following factors to be considered when applying the criteria of paragraph 1:

a. Actual or potential loss of resources and their sensitivity. Note, however, that resource shortages in themselves are not management control weaknesses.

b. The magnitude of funds, property, or other resources involved.

c. Actual or potential frequency of loss.

d. Current or probable media or Congressional interest (adverse publicity).

e. Unreliable information causing unsound management decisions.

f. Diminished credibility or reputation of management.

g. Impaired fulfillment of essential mission.

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- h. Violation of statutory or regulatory requirements.
- i. Information security risk.
- j. Public deprivation of needed Government services.
- k. Audit finding.

3. Once a material weakness has been identified, the Management Control Administrator will provide help as may be required in documenting it and developing a plan of action to correct it.

4. The format on page C-3 is used to document a material weakness. When completed, the documentation is forwarded to the Management Analysis Branch (CEMRO-RM-M). The weakness is then reviewed by the District Commander to determine if it should be reported to Division. If the weakness is forwarded to Division, it will be further evaluated by that office for possible sending to HQUSACE.

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Omaha District Material Weakness Report

Weakness ID No. _____ Date: _____

Discovered in: _____ prior years _____ current FY (check one)

Corrective action: _____ taken _____ required (check one)

Function:

Short title of weakness:

Weakness description, including estimates of dollar and operational significance:

Weakness detected by:

CORRECTIVE ACTION PLAN	
<u>Action</u>	<u>Completion date</u>

POINT OF CONTACT

Name: _____

Office symbol: _____ Phone: _____

APPENDIX D

Performance Standards

1. Explicit statements of responsibility for the recognition and exercise of management controls are required in performance agreements or as a Total Army Performance Evaluation System (TAPES) objective/standard for the following:

a. Colonels and lieutenant colonels:

Responsible for establishing and maintaining an effective management control process consistent with AR 11-2 and local circumstances and for ensuring timely and effective resolution of audit findings and recommendations and implementation of agreed-upon corrective actions.

b. All managers as defined in appendix A:

Apply the 12 GAO standards and management controls to institute the Division-wide management control policy for my function(s).

c. The Management Control Administrator:

(1) Develops and administers the management control process for the District.

(2) Identifies accountable managers and makes management control evaluation methods available to them for guidance and formal execution.

(3) Assists managers in documenting material weaknesses.

(4) Prepares the annual assurance statement and other reports.

2. The objective/standard may either stand alone or be included as part of a broader element.